


OPEC

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Organization of the Petroleum Exporting Countries (**OPEC**, /ˈoʊpɛk/ ***oh**-pek*), a permanent, [international organization](#) headquartered in [Vienna, Austria](#), was established in [Baghdad, Iraq](#) on 10–14 September 1960.^[2] Its mandate is to "coordinate and unify the petroleum policies" of its members and to "ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers, and a fair return on capital for those investing in the petroleum industry."^{[3][4][5][6]} In 2014 OPEC comprised twelve members: [Algeria](#), [Angola](#), [Ecuador](#), [Iran](#), [Iraq](#), [Kuwait](#), [Libya](#), [Nigeria](#), [Qatar](#), [Saudi Arabia](#), the [United Arab Emirates](#) and [Venezuela](#).^[2] According to the United States [Energy Information Administration](#) (EIA), OPEC crude oil production is an important factor affecting global oil prices. OPEC sets production targets for its member nations and generally, when OPEC production targets are reduced, oil prices increase.^[7] Projections of changes in Saudi production result in changes in the price of [benchmark crude oils](#).^[7]

	
Headquarters	Vienna, Austria
Official language	English ^[1]
Type	Cartel
Membership	12 states (2011)

OPEC was formed in 1960 when the international oil market was largely dominated by a group of multinational companies known as the '[seven sisters](#)'.^{[8]:503} The formation of OPEC represented a collective act of sovereignty by oil exporting nations, and marked a turning point in state control over natural resources.^{[8]:505} In the 1960s OPEC ensured that oil companies could not unilaterally cut prices.^{[8]:505} In December 2014, OPEC and the oil men were named in the top 10 most influential people in the shipping industry by [Lloyds](#).^[9]

Decision making

The OPEC Conference is the supreme authority of the Organization, and consists of delegations normally headed by the Ministers of Oil, Mines and Energy of member Countries. The Conference usually meets twice a year (in March and September) and in extraordinary sessions whenever required. It operates on the principle of unanimity, and one member, one vote.

History^[edit]

In 1949 [Venezuela](#) and [Iran](#) were the first countries to move towards the establishment of OPEC by approaching Iraq, Kuwait and Saudi Arabia, suggesting that they exchange views and explore avenues for regular and closer communication among petroleum-producing nations.^[24]

The First Arab Petroleum Congress convened in Cairo, Egypt, where they established an 'Oil Consultation Commission' to which IOCs should present price change plans to authorities of producing countries.^[24]

In 10–14 September 1960, the Baghdad conference was held at the initiative of the Venezuelan Mines and Hydrocarbons minister [Juan Pablo Pérez Alfonso](#) and the Saudi Arabian Energy and Mines minister [Abdullah al-Tariki](#). The governments of Iraq, Iran, Kuwait, Saudi Arabia and Venezuela met in [Baghdad](#) to discuss ways to increase the price of the crude oil produced by their respective countries and respond to unilateral actions by the Multinational Oil Companies (MOCs) who at the time controlled all oil operations within the host countries. "Together with Arab and non-Arab producers, Saudi Arabia formed the Organization of Petroleum Export Countries (OPEC) to secure the best price available from the major oil corporations."^[26]

[Iraq](#), [Kuwait](#), [Iran](#), [Saudi Arabia](#) and [Venezuela](#) were the OPEC founding member nations in 1960. Later it was joined by nine more governments: [Libya](#), [United Arab Emirates](#), [Qatar](#), [Indonesia](#), [Algeria](#), [Nigeria](#), [Ecuador](#), [Angola](#), and [Gabon](#). OPEC was headquartered in [Geneva](#), [Switzerland](#) before moving to [Vienna](#), [Austria](#), on September 1, 1965.^[27]

OPEC was founded to unify and coordinate members' petroleum policies. Between 1960 and 1975, the organization expanded to include [Qatar](#) (1961), [Indonesia](#) (1962), [Libya](#) (1962), the [United Arab Emirates](#) (1967), [Algeria](#) (1969), and [Nigeria](#) (1971). [Ecuador](#) and [Gabon](#) were early members of OPEC, but Ecuador withdrew on 31 December 1992^[28] because it was unwilling or unable to pay a \$2 million membership fee and felt that it needed to produce more oil than it was allowed to under the OPEC quota,^[29] although it rejoined in October 2007. Similar concerns prompted Gabon to suspend membership in January 1995.^[30] [Angola](#) joined on the first day of 2007. Norway and Russia have attended OPEC meetings as observers. Indicating that OPEC is not averse to further expansion, Mohammed Barkindo, OPEC's Secretary General, asked Sudan to join.^[31] Iraq remains a member of OPEC, but Iraqi production has not been a part of any OPEC quota agreements since March 1998. In May 2008, Indonesia announced that it would leave OPEC when its membership expired at the end of that year, having become a net importer of oil and being unable to meet its [production quota](#).^[49] A statement released by OPEC on 10 September 2008 confirmed Indonesia's withdrawal, noting that it "regretfully accepted the wish of Indonesia to

suspend its full Membership in the Organization and recorded its hope that the Country would be in a position to rejoin the Organization in the not too distant future."^[50] Indonesia is still exporting light, [sweet crude oil](#) and importing heavier, more sour crude oil to take advantage of price differentials (import is greater than export).

... In the 1980s, the price of oil was allowed to rise before the adverse effects of higher prices caused demand and price to fall. The OPEC nations, which depended on revenue from oil sales, experienced severe economic hardship from the lower demand for oil and consequently cut production in order to boost the price of oil. During this time, environmental issues began to emerge on the international energy agenda.^[27] Lower demand for oil saw the price of oil fall back to 1986 levels by 1998–99.

1973 oil embargo^[edit]

In October 1973, OPEC declared an oil embargo in response to the United States' and Western Europe's support of Israel in the [Yom Kippur War](#) of 1973. The result was a rise in oil prices from \$3 per barrel to \$12 starting on 17 October 1973, and ending on 18 March 1974 and the commencement of gas rationing. Other factors in the rise in gasoline prices included a market and consumer panic reaction, the peak of oil production in the United States around 1970 and the devaluation of the U.S. [dollar](#).^[41] U.S. gas stations put a limit on the amount of gasoline that could be dispensed, closed on Sundays, and limited the days gasoline could be purchased based on license plates. Even after the embargo concluded, prices continued to rise.^[42]

The Oil Embargo of 1973 had a lasting effect on the United States. The Federal government got involved first with President [Richard Nixon](#) recommending citizens reduce their speed for the sake of conservation, and later Congress issuing a 55 mph limit at the end of 1973. Daylight saving time was extended year round to reduce electrical use in the American home. Smaller, more fuel efficient cars were manufactured. Nixon also formed the Energy Department as a cabinet office.^[citation needed] People were asked to decrease their thermostats to 65 degrees and factories changed their main energy supply to coal.

One of the most lasting effects of the 1973 oil embargo was a global economic recession. Unemployment rose to the highest percentage on record while inflation also spiked. Consumer interest in large gas guzzling vehicles fell and production dropped. Although the embargo only lasted a year, during that time oil prices had quadrupled and OPEC nations discovered that their oil could be used as both a political and economic weapon against other nations.